

Lowering Premium Tax through Job Growth in Rhode Island

(Filing Due: 4/1/2019)

The Rhode Island General Assembly amended Section 44-17-1 of the General Laws entitled “Taxation of Insurance Companies” to provide a methodology by which Premium Tax could be reduced if “Qualifying Insurers” collectively create at least 350 new “qualifying jobs” in Rhode Island. The reduced premium tax rate would apply to all companies writing business in Rhode Island. This amendment could also provide retaliatory premium tax relief for insurance companies domiciled in RI. This statute allows the Premium Tax to be reduced as low as 1% if sufficient job and Personal Income Tax growth were to occur.

In order to gather the appropriate information to allow the Rhode Island Insurance Division and the Rhode Island Department of Revenue to accurately calculate the qualifying jobs growth in Rhode Island, all qualifying insurers are required to complete the attached Excel spreadsheet and submit it electronically to: DBR.PremiumJobs@dbr.ri.gov.

A “Qualifying Insurer” is any domestic, foreign, or alien insurance company, mutual association, organization, or other insurer, but excludes: Health Maintenance Organizations (as defined in § 27-41-2); Nonprofit Dental Service Corporations (as defined in § 27-20.1-2); and Nonprofit Hospital or Medical Service Corporations (as defined in §§ 27-19-1 and 27-20-1).

A “Qualifying Employee” is any employee that was issued a Rhode Island W-2 with total annual wages equal to or greater than forty percent (40%) of the prior year’s average annual wages for the Rhode Island insurance industry, as published by the Rhode Island Department of Labor and Training in the Annual Employment and Wage Tables (<http://www.dlt.ri.gov/lmi/es202/state.htm>) under NAICS code 5241. Forty percent (40%) of the average annual wages for calendar year 2018 is **\$37,569.20**. Any employee that was issued a Rhode Island W-2 and earned at least \$37,569.20 in calendar year 2018 is a qualifying employee.

Spreadsheet Instructions:

The attached worksheet should be completed once per holding company, and ensuring that all entities within the group that are required to file are included on the worksheet.

Column 1: Enter the NAIC Company Code (if applicable) for each company listed in Column 2.

Column 2: Enter the name of the Company that is licensed or approved in Rhode Island, including its subsidiaries, affiliates, and any service companies within the holding company structure that have Rhode Island employees. Rhode Island employees that are actually employed by another entity within the holding company system are also considered qualifying employees as long as they meet the definition provided above.

Column 3: Enter the Federal Employers Identification Number (FEIN) for each entity within the holding company system that employs Rhode Island employees. This information will be used by the Rhode Island Department of Revenue to verify the W-2 information for the Rhode Island employees.

Column 4: Enter the **total** Personal Income Tax (PIT) withholdings for **all** W-2 employees in the state of RI for calendar year 2018. This amount should reconcile to the amount reported on Form RI W-3 for 2018.

Column 5: Enter the total number of employees that were issued a W-2 for wages earned in RI for calendar year 2018. This amount should equal the total number of RI W-2s that were filed with the RI Division of Revenue for 2018.

Column 6: Enter the total number of “Qualifying Employees”, as defined above, for calendar year 2018.

Column 7: Enter the total Personal Income Tax withholdings for all “Qualifying Employees” for calendar year 2018.

Should you have any questions, please e-mail Petr Petrik at: petr.petrik@dbr.ri.gov.

2018 Premium Jobs Growth Worksheet

Frequently Asked Questions

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| Q: | Which entities should be included on the worksheet? |
| A: | Include any entities <i>licensed or approved</i> in RI, even if filing 'NONE', and include any entities reporting RI employees/withholding (including service companies and insurance-related subsidiaries). Therefore, it is preferable to complete this form once at the holding company level (if applicable). |

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| Q: | If my organization does not have any employees in RI, do I still need to file this worksheet? |
| A: | Yes. The Division requires 'NONE' filings in order to distinguish between organizations without employees to report and organizations that may be unaware of the filing requirement. |

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| Q: | My organization has no employees in RI and/or has no plans to add more employees in RI. Why do we need to complete this form, and how would this program benefit us? |
| A: | The premium tax reduction would be based on the <i>aggregate</i> number of qualifying insurance jobs created in RI. Therefore, your taxes on premiums written in RI could be reduced, even if your company has no RI employees. However, your participation is needed to accurately measure our employment base. |

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| Q: | Does my organization need to file if it is: <ul style="list-style-type: none"> • A Fraternal Benefit Society? • In runoff, or otherwise has zero premiums written in RI? • A captive? • A Registered Risk-Retention Group? • An Approved/Accredited Reinsurer? • A Registered Surplus Lines Insurer? |
| A: | Yes. |

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| Q: | Which taxes should be included in the reported withholding amounts (e.g. state income, federal income, payroll)? |
| Q: | My organization has employees who live in RI, but work out of state and voluntarily withhold RI taxes. Should I include these employees and W-2 withholdings? |
| A: | The columns for "All Employees" should match the RI Personal Income Tax withholding amounts and number of W-2s reported on the RI W-3 filed with the RI Division of Taxation. Employees who do not work in RI but have RI withholding would be included under "All Employees", but excluded under "qualifying employees". Refer to Exhibit A . |

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| Q: | Is the Filing spreadsheet required if I am only submitting a 'NONE' filing? |
| A: | No -- if you prefer, you may send an email listing the RI-licensed/registered entity or entities (including NAIC CoCodes) for which you are filing 'NONE', and including language to this effect. |

Exhibit A:

State of Rhode Island and Providence Plantations
Form RI-W3
Reconciliation of Personal Income Tax Withheld

| | | | | | |
|---------------------------|--|-------|--|----------------|--|
| Name | | | Federal employer identification number | | |
| Address | | | For the year ending: | | |
| Address 2 | | | | | |
| City, town or post office | | State | ZIP code | E-mail address | |

| MONTH | 1st QTR OF MONTH | 2nd QTR OF MONTH | 3rd QTR OF MONTH | 4th QTR OF MONTH | TOTAL |
|--|------------------|------------------|------------------|------------------|-------|
| January | | | | | |
| February | | | | | |
| March | | | | | |
| April | | | | | |
| May | | | | | |
| June | | | | | |
| July | | | | | |
| August | | | | | |
| September | | | | | |
| October | | | | | |
| November | | | | | |
| December | | | | | |
| 1 Total payments made for the year | | | | | 1 |
| 2 Total tax withheld during the year as shown on state forms transmitted | | | | | 2 |
| 3 Total number of state wage & tax statements (Form W2) sent with this reconciliation form | | | | | 3 |

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, it is true, accurate and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

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|------------------------------|---------------------------|-------|------------------|
| Authorized officer signature | Print name | Date | Telephone number |
| Paid preparer signature | Print name | Date | Telephone number |
| Paid preparer address | City, town or post office | State | ZIP Code |
| | | | PTIN |

May the Division of Taxation contact your preparer? YES ☐

Mail to RI Division of Taxation - One Capitol Hill - Providence, RI 02908

Revised 05/2016